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中國航空科技工業股份有限公司

AviChina Industry & Technology Company Limited*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2357)

**CONTINUING CONNECTED TRANSACTIONS, DISCLOSEABLE
TRANSACTION AND MAJOR TRANSACTION**

**I. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS UNDER THE
EXISTING AGREEMENTS**

AND

II. PROPOSED REVISION OF ANNUAL CAPS FOR 2026

**I. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS UNDER THE
EXISTING AGREEMENTS**

References are made to the announcements of the Company dated 22 August 2023, 13 September 2023 and 29 August 2025, and the circular dated 28 November 2023 in relation to, among other things, the continuing connected transactions of the Group with AVIC, AVIC Finance and Shenyang Xinghua contemplated under each of the Existing Agreements.

As the Existing Agreements will expire on 31 December 2026 and the Group intends to continue to enter into the transactions of similar nature after the expiry date, the Company entered into the Renewal Agreements for a term of three years commencing from 1 January 2027 to continue the Group's continuing connected transactions. The Renewal Agreements comprise the mutual product supply framework agreement, mutual service supply framework agreement and land use rights, properties and equipment leasing framework agreement with AVIC; the financial services framework agreement with AVIC Finance; and the mutual products and service supply framework agreement with Shenyang Xinghua. The principal terms of the Renewal Agreements are generally consistent with those of the Existing Agreements, with proposed annual caps for the relevant transactions for the three years ending 31 December 2029.

**II. PROPOSED REVISION OF THE ANNUAL CAPS FOR 2026 UNDER THE EXISTING AVIC
MUTUAL SERVICE SUPPLY AGREEMENT**

The Board expects that there will be an increase in the Group's demand for services related to manufacturing and business from AVIC Group as well as an increase in the Group's provision of aviation engineering services to AVIC Group, and the Original Annual Caps in respect of the expenditure transactions and revenue transactions under the Existing AVIC Mutual Service Supply Agreement for the year ending 31 December 2026 will be insufficient to meet the Group's expected needs.

Therefore, the Board proposes to revise the Original Annual Caps to the Proposed Revised Caps.

III. HONG KONG LISTING RULES IMPLICATIONS

Continuing connected transactions implications

As at the date of this announcement, AVIC is a controlling shareholder of the Company holding directly and indirectly 59.63% of all issued Shares. AVIC Finance is a subsidiary of AVIC. Shenyang Xinghua is a connected subsidiary of the Company by virtue of being directly and indirectly owned as to over 10% by AVIC. Accordingly, each of AVIC, AVIC Finance and Shenyang Xinghua is a connected person of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. The transactions contemplated under the Renewal Agreements and the Existing Agreements (including the respective original proposed annual caps and the Proposed Revised Caps) therefore constitute continuing connected transactions.

Fully exempt transactions

As (i) the Loan Services and the Non-financing Guarantee Letter Services under the Financial Services Framework Agreement will be entered into by the parties on normal commercial terms and no security over the assets of the Group or guarantee or counter-guarantee will be given by the Group in respect of the provision of financial assistance, and (ii) the Settlement Services will fall within the relevant *de minimis* threshold as stipulated under the Hong Kong Listing Rules, the Loan Services, the Non-financing Guarantee Letter Services and the Settlement Services are exempt from reporting, annual review, announcement, circular and the Independent Shareholders' approval requirements under the Hong Kong Listing Rules. In the event that the Group is required to provide security over the assets of the Group or guarantee or counter-guarantee for the Loan Services and the Non-financing Guarantee Letter Services, the respective relevant member(s) of the Group and AVIC Finance shall enter into separate agreements, subject to satisfaction of the applicable disclosure and approval requirements by the Group in accordance with the rules of the relevant stock exchanges.

Partly Exempt Transactions

As the highest applicable percentage ratios in respect of the proposed annual caps for the three years ending 31 December 2029 of (i) the transactions contemplated under the Land Use Rights, Properties and Equipment Leasing Framework Agreement, (ii) the AVIC Finance Factoring Services contemplated under the Financial Services Framework Agreement, and (iii) the transactions contemplated under the Shenyang Xinghua Mutual Product and Service Supply

Framework Agreement exceed 0.1% but are less than 5%, such continuing connected transactions are subject to reporting, announcement and annual review requirements but are exempt from circular and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Non-exempt Transactions

As the highest applicable percentage ratios in respect of the proposed annual caps for the three years ending 31 December 2029 of (i) the transactions contemplated under the AVIC Mutual Product Supply Framework Agreement, (ii) the transactions contemplated under the AVIC Mutual Service Supply Framework Agreement, (iii) the Deposit Services contemplated under the Financial Services Framework Agreement, (iv) the Other Financial Services contemplated under the Financial Services Framework Agreement, and (v) the Proposed Revised Caps of the transactions under the Existing AVIC Mutual Service Supply Agreement for the year ending 31 December 2026 exceed 5%, such continuing connected transactions are subject to reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Notifiable transactions implications

Major Transaction

As the highest applicable percentage ratio in respect of the Deposit Services under the Financial Services Framework Agreement exceeds 25%, the Deposit Services also constitute a major transaction under Chapter 14 of the Hong Kong Listing Rules and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

Discloseable Transaction

As the highest applicable percentage ratio in respect of the Other Financial Services under the Financial Services Framework Agreement exceeds 5% but is less than 25%, the Other Financial Services also constitute a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

IV. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all of the independent non-executive Directors has been established to advise the Independent Shareholders on (i) the terms of the Non-exempt Transactions and the proposed annual caps for such transactions for the three years ending 31 December 2029; and (ii) the Proposed Revised Caps of transactions under the Existing AVIC Mutual Service Supply Agreement for the year ending 31 December 2026.

Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

V. EGM

The Company will convene an EGM in due course to obtain the approval of Independent Shareholders regarding, among other things, (i) the terms of the Non-exempt Transactions and the proposed annual caps for such transactions for the three years ending 31 December 2029; and (ii) the Proposed Revised Caps of the transactions under the Existing AVIC Mutual Service Supply Agreement for the year ending 31 December 2026.

AVIC and its associate(s), if any, will abstain from voting on these ordinary resolutions to be proposed at the EGM.

As more time is required to finalise the circular to the Shareholders, the Company expects to despatch to the Shareholders the circular containing, among other things:

- (a) details relating to (i) the terms of the Non-exempt Transactions and the proposed annual caps for such transactions for the three years ending 31 December 2029; and (ii) the Proposed Revised Caps of the transactions under the Existing AVIC Mutual Service Supply Agreement for the year ending 31 December 2026;
- (b) a letter of recommendation from the Independent Board Committee to the Independent Shareholders;
- (c) a letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders; and
- (d) a notice of the EGM,

on or before 26 October 2026.

I. THE RENEWAL OF CONTINUING CONNECTED TRANSACTIONS UNDER THE EXISTING AGREEMENTS

1. Background

References are made to the announcements of the Company dated 22 August 2023, 13 September 2023 and 29 August 2025, and the circular dated 28 November 2023 in relation to, among other things, the continuing connected transactions of the Group with AVIC, AVIC Finance and Shenyang Xinghua contemplated under each of the Existing Agreements.

As the Existing Agreements will expire on 31 December 2026 and the Group intends to continue to enter into the transactions of similar nature after the expiry date, the Company entered into the Renewal Agreements for a term of three years commencing from 1 January 2027 to continue the

Group's continuing connected transactions. The Renewal Agreements comprise the mutual product supply framework agreement, mutual service supply framework agreement and land use rights, properties and equipment leasing framework agreement with AVIC; the financial services framework agreement with AVIC Finance; and the mutual products and service supply framework agreement with Shenyang Xinghua. The principal terms of the Renewal Agreements are generally consistent with those of the Existing Agreements, with proposed annual caps for the relevant transactions for the three years ending 31 December 2029.

2. The Renewal Agreements with AVIC

2.1 *The AVIC Mutual Product Supply Framework Agreement*

As the Existing AVIC Mutual Product Supply Agreement is due to expire on 31 December 2026 and the Group from time to time needs to procure from or supply to AVIC Group various products for its businesses, the Company entered into the AVIC Mutual Product Supply Framework Agreement with AVIC.

Principal terms of the AVIC Mutual Product Supply Framework Agreement are summarised as follows:

Date	:	31 August 2026
Parties	:	AVIC (for itself and on behalf of its subsidiaries) The Company (for itself and on behalf of its subsidiaries)
Term	:	Three years from 1 January 2027 to 31 December 2029
Mutual supply of products	:	AVIC Group and the Group will supply the manufacturing raw materials, parts and components, finished and semi-finished aviation products involved in the production and operations of the respective aviation products of each other (including but not limited to aviation entire aircraft and aviation parts and components to the Group, and the helicopters, airplanes and aviation parts and components to AVIC Group) and the related sales and ancillary services.
Key transaction principles	:	If any independent third party can supply the same type of products on the same terms, AVIC Group or the Group (as the case may be) shall give preference to use products supplied by the Group or AVIC Group (as the case may be). If any independent third party can supply the same type of products at a better price than AVIC Group or the Group (as the case may be) offers, the Group or AVIC Group (as the case may be) shall be entitled to procure products from that independent third party.

The quality standard of the products and the terms and conditions of supply given by AVIC Group to the Group shall not be less favourable than those offered by the independent third parties under comparable conditions.

Pricing principles : The price of the products under the agreement will be determined as follows: (i) as most products under the AVIC Mutual Product Supply Framework Agreement are designated aviation products, the Government-prescribed Price shall apply; (ii) if there is no Government-prescribed Price, the Market Price as determined by tender procedures or other means (as the case may be) shall apply; and (iii) if there is no Market Price, the Contractual Price shall apply.

Note: please refer to “Government-prescribed Price”, “Market Price” and “Contractual Price” as set out in the “Definitions” section of this announcement for the detailed definitions of the terms.

Payment : Specific payment terms (including time and method of payment) are to be agreed between the parties by entering into the specific product supply agreement under each transaction.

2.2 The AVIC Mutual Service Supply Framework Agreement

As the Existing AVIC Mutual Service Supply Agreement is due to expire on 31 December 2026 and the Group from time to time needs to procure from or supply to AVIC Group various services for its business operations, the Company entered into the AVIC Mutual Service Supply Framework Agreement with AVIC.

Principal terms of the AVIC Mutual Service Supply Framework Agreement are summarised as follows:

Date : 31 August 2026

Parties : AVIC (for itself and on behalf of its subsidiaries)

The Company (for itself and on behalf of its subsidiaries)

Term : Three years from 1 January 2027 to 31 December 2029

Mutual supply of services : AVIC Group will supply certain services relating to the production and business operations of the Group including, without limitation, (i) supply of power such as electricity, water and steam; (ii) property management and maintenance; (iii) labour services; (iv) equipment purchase, maintenance, repair and leasing services; (v) construction and transportation; (vi) design, consultation and network related services; (vii) cultural, educational,

hygienic, social security and logistic services; (viii) import and export agency services; (ix) test flight and technology and quality monitoring services; (x) engineering and equipment subcontracting services; and (xi) other related services.

The Group will supply certain services relating to the production and business operations of AVIC Group including, without limitation, (i) supply of power such as electricity, water and steam; (ii) property management and maintenance; (iii) labour services; (iv) equipment maintenance, repair and leasing services; (v) construction and transportation; (vi) design, consultation and network related services; (vii) enterprise entrustment services; (viii) engineering technology (including but not limited to planning, consultation, design and supervision), project engineering main contracting and equipment main contracting services; and (ix) other related services.

Key transaction principles : If any independent third party can supply the same type of services on the same terms, AVIC Group or the Group (as the case may be) shall give preference to use the services supplied by the Group or AVIC Group (as the case may be).

If any independent third party can supply the same type of services at a better price than AVIC Group or the Group (as the case may be) offers, the Group or AVIC Group (as the case may be) shall be entitled to opt for the services supplied by that independent third party.

The quality standard of the services and the terms and conditions of supply given by AVIC Group to the Group shall not be less favourable than those offered by the independent third parties under comparable conditions.

Pricing principles : The price of the services under the agreement will be determined as follows:

- (i) for power supply services such as the provision of electricity, water, steam, etc., if such power was originally procured at the Government-prescribed Price or the Government-guidance Price, the Government-prescribed Price or the Government-guidance Price shall apply;
- (ii) for services such as construction, transportation, design, consultation and network design, and other services where the Market Price is available, the Market Price as determined by tender procedures or other means (as the case may be) shall apply;
- (iii) for the engineering technology services to be supplied by the Group to AVIC Group (including design, consultation and supervision services), and the engineering and equipment subcontracting services supplied by AVIC Group to the Group, the Market Price and (where applicable)

Market Price as determined by tender procedures shall apply. Such tender procedures shall be in compliance with the relevant PRC laws and regulations relating to tender and bidding (which set out, among other things, specific requirements for the bidders and construction projects which require tender and bidding); and

- (iv) if there is no Market Price (for the provision of property management and maintenance services; equipment maintenance, repair and leasing services; cultural, educational, hygienic, social security and logistic services; import and export agency services; test flight and technology and quality monitoring services; and entrustment services), the Contractual Price shall apply.

Note: please refer to “Government-prescribed Price”, “Government-guidance Price”, “Market Price” and “Contractual Price” as set out in the “Definitions” section of this announcement for the detailed definitions of the terms.

Payment : Specific payment terms (including time and method of payment) are to be agreed between the parties by entering into specific services agreements under each transaction.

2.3 The Land Use Rights, Properties and Equipment Leasing Framework Agreement

As the Existing Land Use Rights and Properties Leasing Agreement is due to expire on 31 December 2026, and the Group and AVIC Group need to use the land and properties of each other for their respective business operations, and will also require the use of certain machinery, equipment and related ancillary equipment of each other, the Company and AVIC have agreed to introduce equipment leasing arrangements within the scope of transactions under the Existing Land Use Rights and Properties Leasing Agreement and entered into the Land Use Rights, Properties and Equipment Leasing Framework Agreement.

Principal terms of the Land Use Rights, Properties and Equipment Leasing Framework Agreement are summarised as follows:

Date : 31 August 2026

Parties : AVIC (for itself and on behalf of its subsidiaries)

The Company (for itself and on behalf of its subsidiaries)

Term : Three years from 1 January 2027 to 31 December 2029

Scope of the lease : AVIC Group and the Group will lease the following assets from the other party on a voluntary basis: (i) land with proper land use rights; (ii)

buildings; and (iii) certain machinery, equipment, facilities and related ancillary items.

- Pricing principles** : The annual rent is to be determined by the parties after fair negotiations with reference to: (i) the recent fair trading price of rent for leased land, properties or equipment in the comparable local leasing market; (ii) the relevant guidance price for rent of leased land, properties or equipment of the local government (if any); (iii) other relevant factors such as location, scale and utility facilities of the land and properties; and (iv) the type, specifications, newness rate, usage condition, depreciation rate, management fees, relevant taxes (value-added tax and surcharges), market leasing prices and transaction prices for leases of similar equipment (if any) of the leased equipment.
- Payment** : If the lease term is more than one year, the rent shall be calculated on an annual basis and, in principle, shall be paid at least once each year. Specific time of payment is to be agreed between the parties by entering into specific agreements.

3. The Financial Services Framework Agreement

As the Existing Financial Services Framework Agreement is due to expire on 31 December 2026, and the Group continues to have the need of the financial services from AVIC Finance from time to time, the Company entered into the Financial Services Framework Agreement with AVIC Finance.

Principal terms of the Financial Services Framework Agreement are summarised as follows:

- Date** : 31 August 2026
- Parties** : The Company (for itself and on behalf of its subsidiaries)
AVIC Finance
- Term** : Three years from 1 January 2027 to 31 December 2029
- Financial services** : Pursuant to the Financial Services Framework Agreement, AVIC Finance has agreed to provide the Group with the Deposit Services, the Loan Services, the Settlement Services, the Non-financing Guarantee Letter Services, the AVIC Finance Factoring Services and the Other Financial Services (i.e. such other financial services (including but not limited to bill acceptance and discounting services) as approved by the NFRA).

The Group is entitled to select the financial institutions providing the financial services, the amount of deposit and borrowings and the time of withdrawal of deposit based on its business needs.

Pricing principles : The pricing principles for services under the Financial Services Framework Agreement are as follows:

(1) Deposit Services

The interest rates for the Group's RMB deposits with AVIC Finance shall not be lower than the listed average interest rates for the same type of deposits offered by major commercial banks of the PRC during the same period.

(2) Loan Services

The interest rates for the loans to be granted to the Group by AVIC Finance shall not exceed the upper limit of the Loan Prime Rate (LPR) for loans of the same tenor as published by the National Interbank Funding Center under the authorization of the PBOC. Such interest rate shall also not exceed the rate charged by AVIC Finance during the same period for loans of the same type extended to third parties with comparable pricing factors (including credit rating, loan tenor, business type and enterprise category), nor shall it exceed the average interest rate determined by major commercial banks in the PRC for comparable loans.

(3) Non-financing Guarantee Letter Services

The fees to be charged by AVIC Finance for the provision of the Non-financing Guarantee Letter Services shall not be higher than the fees charged by AVIC Finance during the same period for providing non-financing guarantees to any third party with the same credit rating, nor shall such fees be higher than the fees charged by major commercial banks in the PRC to the Group for comparable non-financing guarantees.

(4) AVIC Finance Factoring Services

The fees to be charged by AVIC Finance for the provision of the AVIC Finance Factoring Services shall not be higher than (a) the average fees charged by AVIC Finance to any third party with the same price determination factors as the Group during the same period (including credit rating, term, business category, enterprise category); and (b) the average fees charged by the major commercial banks in the PRC for the same type of services.

(5) Other Financial Services

The fees to be charged by AVIC Finance for the provision of the Other Financial Services shall not be higher than (a) the maximum fees determined by the PBOC for the same type of financial services (if applicable); (b) the fees charged by major commercial banks in the PRC for the same type of services during the same period; and (c) the fees charged for the same type of financial services offered by AVIC Finance to any third party with the same credit rating.

Please refer to Section III of this announcement for the proposed annual caps for the Deposit Services, the AVIC Finance Factoring Services and the Other Financial Services.

Other major terms : When AVIC Finance provides the Deposit Services to the Group, AVIC Finance is obliged to provide the Group with necessary information, including monthly reports, semi-annual review reports, annual reports and risk indicators, and such annual reports shall be audited by an accounting firm qualified to conduct securities and futures-related business.

AVIC Finance shall strictly operate in accordance with the risk monitoring indicators issued by NFRA such as the capital adequacy ratio and liquidity ratio, comply with the provisions of the Administrative Measures for Financial Companies of Enterprise Group (《企業集團財務公司管理辦法》), and ensure the secure operation of the funds settlement network, control funding risks, and safeguard the security of funds deposited by the Group. AVIC Finance shall also undertake to immediately notify the Group upon occurrence of, among others, (1) failure to pay maturing debts, delinquency on large loans, serious malfunctions in critical information systems, robbery or fraud, or the imposition of coercive measures by competent authorities against the directors and senior management of AVIC Finance or their involvement in serious disciplinary violations or criminal cases; (2) any significant organizational changes, equity transactions, or operational risks that may affect the normal business operations of AVIC Finance; and (3) breach of certain provisions of the Administrative Measures for Financial Companies of Enterprise Group, and the Group shall have the right to unilaterally terminate the Financial Services Framework Agreement.

4. The Shenyang Xinghua Mutual Product and Service Supply Framework Agreement

The Existing Shenyang Xinghua Mutual Product and Service Supply Framework Agreement entered into by the Company and Shenyang Xinghua is due to expire on 31 December 2026. As the Group continues to have the need to procure from and supply to Shenyang Xinghua Group various products and services in its business, the Company entered into the Shenyang Xinghua Mutual Product and Service Supply Framework Agreement.

Principal terms of the Shenyang Xinghua Mutual Product and Service Supply Framework Agreement are summarised as follows:

- Date** : 31 August 2026
- Parties** : The Company (for itself and on behalf of its subsidiaries, except for Shenyang Xinghua Group)
- Shenyang Xinghua (for itself and on behalf of its subsidiaries)
- Term** : Three years from 1 January 2027 to 31 December 2029
- Mutual supply of products and services** : The Group will supply to Shenyang Xinghua Group aviation parts, raw materials, related manufacturing and labour services and the engineering technology (including but not limited to planning, consulting, design and supervision, etc.), project engineering main contracting and equipment main contracting services.
- Shenyang Xinghua Group will supply to the Group aeroengine components, connectors, cables, power electronic components, aircraft blowers, fans, mounting frame control boxes, components, related manufacturing and labour services, etc.
- The transactions under such agreement do not cover those transactions between Shenyang Xinghua Group and AVIC Airborne and its subsidiaries, such transactions are covered under the AVIC Airborne Mutual Product and Service Supply Framework Agreement.
- Pricing principles** : The price of products and/or services under the agreement will be determined as follows:
- (i) as most products under the Shenyang Xinghua Mutual Product and Service Supply Framework Agreement are designated aviation products, the Government-prescribed Price shall apply;
 - (ii) if there is no Government-prescribed Price, the Market Price as determined by tender procedures or other means (as the case may be) shall apply;
 - (iii) if there is no Market Price, the Contractual Price shall apply;
 - (iv) for power supply services such as the provision of electricity, water, steam, etc., if such power was originally procured at the Government-

prescribed Price or the Government-guidance Price, the Government-prescribed Price or the Government-guidance Price shall apply;

- (v) for production, labour and leasing services where Market Price is available, the Market Price as determined through tender procedures or other means (as the case may be) shall apply; if there is no Market Price, the Contractual Price shall apply; and
- (vi) for engineering technology services (including design, consultation and supervision services), project engineering main contracting and equipment main contracting services, and engineering and equipment subcontracting services, the Market Price and (if applicable) the Market Price as determined by tender procedures shall apply. Such tender procedures shall be in compliance with the relevant PRC laws and regulations relating to tender and bidding (which set out, among other things, specific requirements for the bidders and construction projects which require tender and bidding).

Note: please refer to the detailed definitions of “Government-prescribed Price”, “Government-guidance Price”, “Market Price” and “Contractual Price” as set out in the “Definitions” section of this announcement.

Payment : The parties will charge payment according to the Shenyang Xinghua Mutual Product and Service Supply Framework Agreement and the specific contracts entered into by the relevant member of the Group and Shenyang Xinghua Group for the provision of products or services.

Other major terms : If any independent third party can supply the same type of products or services at a better price than Shenyang Xinghua Group or the Group (as the case may be) offers, the Group or Shenyang Xinghua Group (as the case may be) shall be entitled to opt for the products or services supplied by that independent third party.

Subject to the terms of the Shenyang Xinghua Mutual Product and Service Supply Framework Agreement, if the product or service supplied by and the terms and conditions of supply given by Shenyang Xinghua Group or the Group (as the case may be) does not satisfy the needs of the Group or Shenyang Xinghua Group (as the case may be) in any aspect, the latter can procure identical or similar products or services from an independent third party.

II. HISTORICAL AMOUNTS OF THE CONTINUING CONNECTED TRANSACTIONS UNDER THE EXISTING AGREEMENTS

Set out below are the historical amounts of the continuing connected transactions under the Existing Agreements for the two years ended 31 December 2025 and the six months ended 30 June 2026 and the annual caps for the year ending 31 December 2026.

	Actual amount for the year ended 31 December 2024 (RMB' million)	Actual amount for the year ended 31 December 2025 (RMB' million)	Actual amount for the six months ended 30 June 2026 (RMB' million)	Annual Caps for the year ending 31 December 2026 (RMB' million)
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Expenditure transactions of the Group

Existing AVIC Mutual Product Supply Agreement	9,798	12,287	4,547	26,000
Existing AVIC Mutual Service Supply Agreement	1,132	1,373	870	1,500
Existing Shenyang Xinghua Mutual Product and Service Supply Framework Agreement	104	86	29	200

Revenue transactions of the Group

Existing AVIC Mutual Product Supply Agreement	22,947	24,159	9,874	51,760
Existing AVIC Mutual Service Supply Agreement	4,082	4,992	2,428	5,300
Existing Shenyang Xinghua Mutual Product and Service Supply Framework Agreement	113	48	28	110

Transactions under the Existing Land Use Rights and Properties Leasing Agreement

The Group as lessee ^{Note:}

Right-of-use assets	24	36	6	400
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The Group as lessor:

Lease payments received by the Group	38	39	21	100
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Transactions under the Existing Financial Services Framework Agreement

Maximum daily outstanding balance of deposits (including accrued interests) for deposit services	29,301	29,301	22,825	45,000
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Maximum daily outstanding factoring balance (including factoring prepayment, factoring fee and factoring handling charges) of AVIC Finance Factoring Services	63	-	-	5,000
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Other Financial Services	177	-	7	3,000
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Note: The historical figures under the Existing Land Use Rights and Properties Leasing Agreement represent the total value of right-of-use assets relating to the leasing agreements entered into during the corresponding period.

III. PROPOSED ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS UNDER THE RENEWAL AGREEMENTS

1. Proposed annual caps for the continuing connected transactions under the Renewal Agreements

Based on the factors set out in paragraph 2 under this Section III, the Directors have estimated the annual caps for each of the continuing connected transactions for each of the three years ending 31 December 2029, which are set out below:

(1) Non-exempt Transactions

	Year ending 31 December 2027 <i>(RMB' million)</i>	Year ending 31 December 2028 <i>(RMB' million)</i>	Year ending 31 December 2029 <i>(RMB' million)</i>	Cross- reference to this announcement <i>(RMB' million)</i>
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Expenditure transactions of the Group

AVIC Mutual Product Supply Framework Agreement	19,060	19,630	19,830	Paragraph 2.1 under Section I
AVIC Mutual Service Supply Framework Agreement	3,190	3,280	3,280	Paragraph 2.2 under Section I

Revenue transactions of the Group

AVIC Mutual Product Supply Framework Agreement	33,830	35,700	37,510	Paragraph 2.1 under Section I
AVIC Mutual Service Supply Framework Agreement	6,820	7,360	7,720	Paragraph 2.2 under Section I

Transactions under the Financial Services Framework Agreement

Maximum daily outstanding balance of deposits (including accrued interests) for Deposit Services	43,000	43,000	43,000	Paragraph 3 under Section I
Other Financial Services	2,000	2,000	2,000	Paragraph 3 under Section I

(2) *Partly Exempt Transactions*

	Year ending 31 December 2027 <i>(RMB' million)</i>	Year ending 31 December 2028 <i>(RMB' million)</i>	Year ending 31 December 2029 <i>(RMB' million)</i>	Cross- reference to this announcement <i>(RMB' million)</i>
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Expenditure transactions of the Group

Shenyang Xinghua Mutual Product and Service Supply Framework Agreement	150	150	150	Paragraph 4 under Section I
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Revenue transactions of the Group

Shenyang Xinghua Mutual Product and Service Supply Framework Agreement	120	100	100	Paragraph 4 under Section I
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Transactions under the Financial Services Framework Agreement

Maximum daily outstanding factoring balance (including factoring prepayment, factoring fee and factoring handling charges) of AVIC Finance Factoring Services	1,000	1,000	1,000	Paragraph 3 under Section I
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Transactions under the Land Use Rights, Properties and Equipment Leasing Framework Agreement

The Group as lessee ^{*Note:*}

Right-of-use assets	800	800	800	Paragraph 2.3 under Section I
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The Group as lessor:

Lease payments to be received by the Group	200	200	200	Paragraph 2.3 under Section I
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Note: The proposed caps under the Land Use Rights, Properties and Equipment Leasing Framework Agreement represent the estimated total value of right-of-use assets relating to the leasing agreements expected to be entered into.

2. Basis of determination of the proposed annual caps

(1) AVIC Mutual Product Supply Framework Agreement

Under the AVIC Mutual Product Supply Framework Agreement, the Group primarily provides the aviation entire aircraft, avionics products and electromechanical products to AVIC Group, and AVIC Group primarily provides the relevant parts and components to the Group which are necessary for the manufacturing of the aforesaid aviation entire aircraft, avionics products and electromechanical products.

The proposed annual caps for the revenue transactions for the three years ending 31 December 2029 are determined with reference to, among other things, the following factors:

(i) historical transaction amount and expected growth

The proposed annual caps for the three years ending 31 December 2029 are determined after taking into account (i) the historical transaction amount of approximately RMB 22,947 million and RMB 24,159 million respectively for the year ended 31 December 2024 and 31 December 2025; (ii) the expected sales of products of the Group, for the year ending 31 December 2026 and (iii) the expected growth of relevant business based on the Chinese government's demand for purchasing related aviation products, the future development plans of the aviation industry, and the potential orders from AVIC Group.

(ii) adequate buffer for potential demands of AVIC Group

The Company also sets a 5% to 10% buffer for the proposed annual caps to cover the potential product demands of AVIC Group. The 5% to 10% buffer is added based on the development in national economy and aviation industry, the research, development and manufacturing of the Group's possible new products, and the potential business development and expansion of AVIC Group in the future.

The proposed annual caps for the expenditure transactions for the three years ending 31 December 2029 are determined with reference to, among other things, the following factors:

(i) historical transaction amount and expected growth in demand of the Group

The Group will purchase relevant raw materials and components from AVIC Group for the manufacturing of the entire aviation aircraft, related avionics products and electromechanical products. The proposed annual caps for the three years ending 31 December 2029 are determined after taking into account (i) the historical transaction amount of approximately RMB9,798 million and RMB12,287 million respectively for the year ended 31 December 2024 and 31 December 2025; and (ii) based on the Group's orders and production plans, the procurement of raw materials and components in 2026 is expected to increase as compared to the historical transaction amounts.

As the procurement of products has become more stable, the expenditure transactions for 2027 are expected to be lower than in the annual cap for the year 2026. The annual

growth rate of the expenditure transactions for each of 2028 to 2029 is expected to be approximately 3% and 1%, respectively.

(ii) adequate buffer for potential demands of the Group

The Company also sets a 5% to 10% buffer for the proposed annual caps to cover the potential product demands of the Group. The 5% to 10% buffer is added based on the development in national economy and aviation industry, the research, development and manufacturing of the Group's possible new products, and the potential business development and expansion of the Group in the future.

(2) AVIC Mutual Service Supply Framework Agreement

The proposed annual caps for the revenue transactions for the three years ending 31 December 2029 are determined with reference to, among other things, the following factors:

(i) provision of aviation engineering and labour services to AVIC Group

The Group mainly provides aviation engineering services to AVIC Group through AVIC CAPDI. The proposed annual caps for the three years ending 31 December 2029 are determined with reference to the Group's estimated annual growth rate of approximately 5% for its aviation engineering services.

As the Group also expects an increase in provision of labour services to AVIC Group in 2028 and 2029, the year-on-year growth rates for revenue from these transactions in 2028 and 2029 are projected to be 8% and 5% respectively, compared with the previous year's forecast.

(ii) adequate buffer for potential demands of AVIC Group

The Company also sets a 5% to 10% buffer for the proposed annual caps to cover the potential services demands of AVIC Group. The 5% to 10% buffer is added based on the development in national economy and aviation industry, and the potential business development and expansion of AVIC Group in the future.

The proposed annual caps for the three years ending 31 December 2029 for the expenditure transactions are determined with reference to, among other things, the following factors:

(i) provision of labour services by AVIC Group

AVIC Group mainly provides labour services such as corresponding outsourcing and comprehensive services to the Group. Along with the business development and increase of the Group's sales volume, the labour expenditures (such as outsourcing labour services) are expected to increase. Based on the contracts, orders, historical transaction amount and the Group's manufacturing plan, the Group expects the proposed annual cap of the expenditure transactions for the year ending 31 December

2027 will be similar to that of the expenditure transactions of the Proposed Revised Cap for the year ending 31 December 2026; and for the years ending 31 December 2028 and 31 December 2029, their proposed annual caps are expected to be increased by approximately 3% as compared to the proposed annual cap for the year ending 31 December 2027.

(ii) adequate buffer for potential demands of the Group

The Company also sets a 5% to 10% buffer for the proposed annual caps to cover the potential services demands of the Group. The 5% to 10% buffer is added based on the development in national economy and aviation industry and the potential business development and expansion of the Group in the future.

(3) *The Land Use Rights, Properties and Equipment Leasing Framework Agreement*

The proposed annual caps for the transactions under the Land Use Rights, Properties and Equipment Leasing Framework Agreement are determined with reference to, among other things, the following factors: (i) the land use rights properties and equipment to be leased between the relevant members of AVIC Group and the relevant members of the Group according to the rental arrangements under the specific leasing contracts; and (ii) the potential expansion of the business of the parties and the consequential increase in demand for additional land use rights, properties and equipment, in particular, the anticipated increase in the Group's demand, as lessee, for equipment leasing (including finance leases) based on the Group's business development and fixed asset investment plans. The proposed annual caps on the right-of-use assets under the Land Use Rights, Properties and Equipment Leasing Framework Agreement are also determined with reference to the value of the Group's rights to use the leased assets during the term of the Land Use Rights, Properties and Equipment Leasing Framework Agreement which is initially measured on a present value basis and calculated by discounting the expected lease payments, using the incremental borrowing rate as the discount rate.

To meet the Group's business development needs and ensure the effective allocation of resources, the Group intends to adopt a flexible approach, utilising methods such as direct purchase and leasing to acquire the necessary equipment, depending on actual business requirements. Therefore, in view of the anticipated increase in leasing requirements and to retain appropriate flexibility for future business development, the Company intends to set the proposed annual cap higher than the historical amount of previous transactions.

(4) *The Financial Services Framework Agreement*

Deposit Services

The proposed annual caps for the Deposit Services under the Financial Services Framework Agreement for the three years ending 31 December 2029 is lower than the annual caps under the Existing Financial Services Framework Agreement, which is determined with reference to, among other things, the following factors: (i) the maximum daily outstanding balance of

deposits (including accrued interests) of approximately RMB 29,301 million, RMB 29,301 million and RMB 22,825 million placed by the Group in AVIC Finance in the year ended 31 December 2024 and 2025 and the six months ended 30 June 2026; (ii) the bank balances of the Group of approximately RMB 30,986 million as at 30 June 2026; (iii) the expected payments as may be made by major customers and the expected payment schedule for the products provided by the Group during the relevant period; (iv) the expected growth in the business of the Group and AVIC Group, leading to an increasing demand for the Deposit Services with higher level of funds; and (v) the fund management strategy of the Group of allocating a certain percentage of funds to AVIC Finance for more efficient use of funds available.

AVIC Finance Factoring Services

The proposed annual caps for the AVIC Finance Factoring Services under the Financial Services Framework Agreement for the three years ending 31 December 2029 are determined with reference to, among other things, the following factors: (i) the historical maximum daily outstanding factoring balance of the AVIC Finance Factoring Services for the year ended 31 December 2024 and 31 December 2025 and the six months ended 30 June 2026 respectively; (ii) the expected demand of the Group for accounts receivable financing services from AVIC Finance; (iii) the total accounts receivable of the Group in the latest financial statements; and (iv) the expected level of the accounts receivable for the three years ending 31 December 2027, 2028 and 2029. The Group's historical transaction amount for using the factoring services provided by AVIC Finance has been relatively low. This is mainly because the Group determines whether to use factoring services based on its proposed treatment of accounts receivable and its funding needs. In addition, the Group may select the most favourable services from among those provided by independent third parties and AVIC Finance. Taking into account the possibility that AVIC Finance may offer more favourable services, the Company desires to retain flexibility in using the relevant services, so as to ensure that the Group can obtain the best quotations and services when such services are required.

Other Financial Services

The proposed annual caps for the Other Financial Services under the Financial Services Framework Agreement for the three years ending 31 December 2029 are determined with reference to, among other things, the following factors: (i) the historical transaction amount of Other Financial Services received by the Group for the year ended 31 December 2024 and 31 December 2025 and the six months ended 30 June 2026; (ii) the expected growth of bills receivable along with the Group's business, which would enable the Group to use more bill acceptance and discounting services for greater efficiency in the use of funds; and (iii) the expected growth for financing needs of the Group given its future development.

(5) *The Shenyang Xinghua Mutual Product and Service Supply Framework Agreement*

The proposed annual caps for the three years ending 31 December 2029 are determined with reference to, among other things, the following factors:

(i) *Intra-group transactions of the Group and expected demands*

The transactions under the Shenyang Xinghua Mutual Product and Service Supply Framework Agreement are intra-group transactions of the Group, and are mostly product pairing transactions between Shenyang Xinghua Group and the Group. Shenyang Xinghua Group mainly supplies aeroengine components, connectors and power electronic components to the Group for the Group's manufacture of aircraft and aviation parts.

Taking into account the expansion of business of Shenyang Xinghua Group, it is expected there will be an increase in sales volume to the Group as well as an increase in corresponding procurement. Moreover, as Shenyang Xinghua has entered into project engineering contracts with AVIC CAPDI, it is expected that the Group will provide project engineering main contracting services and technology to Shenyang Xinghua Group.

(ii) *adequate buffer for potential demands of the Group*

The Company also sets a 10% buffer for the proposed annual caps to cover the potential demands of the Group and/or Shenyang Xinghua Group for relevant products and services. The 10% buffer is added based on the development in national economy and aviation industry and the potential business development and expansion of the Group and/or Shenyang Xinghua Group in the future.

IV. REASONS FOR AND BENEFITS OF RENEWAL OF THE EXISTING CONTINUING CONNECTED TRANSACTIONS

1. Continuing connected transactions (other than the transactions under the Financial Services Framework Agreement)

The aviation industry is complex and technology intensive. The manufacturing of an entire aircraft (including the Group's helicopters and trainers) requires different products, parts and components from different enterprises.

The Group is an aviation manufacturing enterprise mainly engaged in the research, development, manufacture and sales of aviation entire aircraft (mainly helicopters and trainer aircraft) and aviation parts and components (mainly avionics products and electromechanical products), and the provision of aviation engineering services.

AVIC Group is the only aviation manufacturer with complete industry chain established with the support of the PRC's national government. It has the research and development capacities to manufacture aviation products independently, and it is mainly engaged in the manufacturing of aircraft, airborne equipment systems and other related ancillary products and systems.

(1) *AVIC Mutual Product Supply Framework Agreement*

The Group is the only production platform of helicopters and main production platform of trainer aircraft for AVIC Group and it primarily provides the aviation entire aircraft (mainly trainers and general aircraft) and aviation parts and components (mainly avionics products, electromechanical products and optronics products) to AVIC Group under the AVIC Mutual Product Supply Framework Agreement to meet the orders received by AVIC Group from independent third parties and the production demands of AVIC Group.

The Group mainly procures from AVIC Group the necessary parts and components for manufacturing helicopters and trainers by the Group, such as control and navigation systems research and developed by AVIC Group.

Due to the high technology barriers in aviation industry and the high quality requirements of customers, it is also difficult for the Group and AVIC Group to source substitute aviation products or aviation parts and components that fully meet comparable quality, specification and value standards in the PRC from other producers.

(2) *AVIC Mutual Service Supply Framework Agreement*

The Group primarily provides the aviation engineering services to AVIC Group through AVIC CAPDI, and AVIC Group primarily provides labour services and other composite services to the Group.

(3) *The Land Use Rights, Properties and Equipment Leasing Framework Agreement*

The Group has been renting out certain land, properties to AVIC Group for the purpose of being the production plants and offices, and leasing equipment to AVIC Group for its manufacturing operations; the Group has been leasing certain land, properties from AVIC Group as production plants, offices and dormitories in respect of the Group's different business segments and leasing equipment from AVIC for the Group's manufacturing operations. The Company considers that it is beneficial to continue to enter into the Land Use Rights, Properties and Equipment Leasing Framework Agreement as: (i) the Group can better utilise its unused assets to earn rental income by leasing land properties and equipment to AVIC Group; and (ii) the Group can continue to occupy suitable premises, and occupy new suitable premises for its business operation.

(4) *The Shenyang Xinghua Mutual Product and Service Supply Framework Agreement*

The transactions contemplated under the Shenyang Xinghua Mutual Product and Service Supply Framework Agreement are intragroup transactions of the Group, and are mostly product pairing transactions between Shenyang Xinghua Group and the Group. Shenyang Xinghua Group mainly supplies connectors and power electronic components to the Group for the Group's manufacture of aircraft and aviation parts.

The Company considers that the products and services mutually provided by the relevant party are different and are necessary for the business operation of the Company. Based on the following

grounds, the Directors consider that it is beneficial to continue the relevant continuing connected transactions by way of entering into the Renewal Agreements as set out in Section I of this announcement:

- (a) the historical connection and long-standing business cooperation relationship between the Group and AVIC Group and Shenyang Xinghua Group;
- (b) AVIC, Shenyang Xinghua and their respective subsidiaries generally have a better understanding of the Group's business and can better ensure the standards of technology, quality, delivery and technical support of the products to meet the Group's requirements;
- (c) the continuing connected transactions between AVIC, Shenyang Xinghua and their respective subsidiaries and the Group in relation to mutual supply of products and services have facilitated and will continue to facilitate the overall operations and growth of the Group's business; and
- (d) the Directors (excluding the independent non-executive Directors, who will give their opinion after considering the advice from Somerley in respect of the Non-exempt Transactions) consider that such continuing connected transactions are and will continue to be conducted on normal commercial terms or better to the Group and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole, and the terms and the proposed annual caps of such continuing connected transactions will continue to be fair and reasonable to the Company.

Taking into account the transaction model between the Group and AVIC Group as described above, the Company considers that the Group can develop independently in a steady and healthy way, and there is no major reliance risk in this regard.

2. Continuing connected transactions under the Financial Services Framework Agreement

The reasons for the Group to enter into the Financial Services Framework Agreement are as follows:

- (a) the terms (including the interest rates) on the Deposit Services, the Loan Services, the AVIC Finance Factoring Services and the Other Financial Services offered by AVIC Finance to the Group will be equal to or more favourable than those offered to the Group by major commercial banks in the PRC;
- (b) AVIC Finance is regulated by the PBOC and the NFRA and provides its services in accordance with and in satisfaction of the rules and operational requirements of these regulatory authorities. In addition, so far as the Group is aware, AVIC Finance has internal control measures in place, the details of which are disclosed in paragraph 3 under Section VIII of this announcement, which ensure the safety of the Group's deposits with AVIC Finance;

- (c) AVIC Finance's understanding of the Group's operations will enable it to provide more expedient and efficient services than major commercial banks in the PRC;
- (d) pursuant to the relevant regulations of the PBOC and the NFRA, the customers of AVIC Finance are limited to the group members of AVIC Group, which will ensure more control by AVIC Finance of the risks that it may be exposed to as compared with other financial entities; and
- (e) the Group could satisfy its demands for financial services in daily business operations from the Financial Services Framework Agreement.

V. PROPOSED REVISION OF THE ANNUAL CAPS FOR 2026 UNDER THE EXISTING AVIC MUTUAL SERVICE SUPPLY AGREEMENT

1. Background

The Board expects that there will be an increase in the Group's demand for services related to manufacturing and business from AVIC Group as well as an increase in the Group's provision of aviation engineering services to AVIC Group, and the Original Annual Caps in respect of the expenditure transactions and revenue transactions under the Existing AVIC Mutual Service Supply Agreement for the year ending 31 December 2026 will be insufficient to meet the Group's expected needs.

Therefore the Board proposes to revise the Original Annual Caps to the Proposed Revised Caps.

2. Proposed Revision of the Original Annual Caps

Set out below are details of the Proposed Revised Caps:

	Actual transaction amount for the six months ended 30 June 2026 <i>RMB' million</i>	Original Annual Caps for the year ended 31 December 2026 <i>RMB' million</i>	Proposed Revised Annual Caps for the year ending 31 December 2026 <i>RMB' million</i>
Expenditure Transactions of the Group			
Existing AVIC Mutual Service Supply Agreement	870	1,500	3,180
Revenue Transactions of the Group			
Existing AVIC Mutual Service Supply Agreement	2,428	5,300	6,110

3. Basis of Determination of the Proposed Revised Caps

The proposed revised caps for the transactions under the Existing AVIC Mutual Service Supply Agreement for the year ending 31 December 2026 are derived based on (i) the historical transaction amount for the year ended 31 December 2024 and 31 December 2025 (the actual expenditure amount for the year ended 31 December 2025 was approximately RMB1,373 million, which approached the original annual cap of RMB1,500 million; the actual revenue amount for the year ended 31 December 2025 was approximately RMB4,992 million, which approached the original annual cap of RMB5,300 million); (ii) the expected increase of the Group's purchase amount for services relating to production and business operations from AVIC Group in 2026; and (iii) the expected increase in the Group's provision of aviation engineering services to AVIC Group in 2026.

4. Reasons and Benefits for the Proposed Revised Caps

The entering of the Proposed Revised Caps is beneficial to and necessary for the business operation of the Group, as the continued growth and increase of the aviation engineering and procurement services of the Group is expected to result in an increase in transaction amounts under the Existing AVIC Mutual Service Supply Agreement for the year ending 31 December 2026.

VI. HONG KONG LISTING RULES IMPLICATIONS

1. Continuing connected transactions implications

As at the date of this announcement, AVIC is a controlling shareholder of the Company holding directly and indirectly 59.63% of all issued Shares. AVIC Finance is a subsidiary of AVIC. Shenyang Xinghua is a connected subsidiary of the Company by virtue of being directly and indirectly owned as to over 10% by AVIC. Accordingly, each of AVIC, AVIC Finance and Shenyang Xinghua is a connected person of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. The transactions contemplated under the Renewal Agreements and the Existing Agreements (including the respective proposed annual caps and the Proposed Revised Caps) therefore constitute continuing connected transactions.

Fully exempt transactions

As (i) the Loan Services and the Non-financing Guarantee Letter Services under the Financial Services Framework Agreement will be entered into by the parties on normal commercial terms and no security over the assets of the Group or guarantee or counter-guarantee will be given by the Group in respect of the provision of financial assistance, and (ii) the Settlement Services will fall within the relevant *de minimis* threshold as stipulated under the Hong Kong Listing Rules, the Loan Services, the Non-financing Guarantee Letter Services and the Settlement Services are exempt from reporting, annual review, announcement, circular and the Independent Shareholders' approval requirements under the Hong Kong Listing Rules. In the event that the Group is required to provide security over the assets of the Group or guarantee or counter-guarantee for the Loan Services and the Non-financing Guarantee Letter Services, the respective relevant member(s) of the Group and AVIC Finance shall enter into separate agreements, subject to satisfaction of the

applicable disclosure and approval requirements by the Group in accordance with the rules of the relevant stock exchanges.

Partly Exempt Transactions

As the highest applicable percentage ratios in respect of the proposed annual caps for the three years ending 31 December 2029 of (i) the transactions contemplated under the Land Use Rights, Properties and Equipment Leasing Framework Agreement, (ii) the AVIC Finance Factoring Services contemplated under the Financial Services Framework Agreement, and (iii) the transactions contemplated under the Shenyang Xinghua Mutual Product and Service Supply Framework Agreement exceed 0.1% but are less than 5%, such continuing connected transactions are subject to reporting, announcement and annual review requirements but are exempt from circular and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Non-exempt Transactions

As the highest applicable percentage ratios in respect of the proposed annual caps for the three years ending 31 December 2029 of (i) the transactions contemplated under the AVIC Mutual Product Supply Framework Agreement, (ii) the transactions contemplated under the AVIC Mutual Service Supply Framework Agreement, (iii) the Deposit Services contemplated under the Financial Services Framework Agreement, (iv) the Other Financial Services contemplated under the Financial Services Framework Agreement, and (v) the Proposed Revised Caps exceed 5%, such continuing connected transactions are subject to reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

2. Notifiable transactions implications

Major Transaction

As the highest applicable percentage ratio in respect of the Deposit Services under the Financial Services Framework Agreement exceeds 25%, the Deposit Services also constitute a major transaction under Chapter 14 of the Hong Kong Listing Rules and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

Discloseable Transaction

As the highest applicable percentage ratio in respect of the Other Financial Services under the Financial Services Framework Agreement exceeds 5% but is less than 25%, the Other Financial Services also constitute a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

General

The non-executive Directors of Mr. Xu Dongsheng, Mr. Wang Rong, and Ms. Hu Shiwei, all of whom hold positions in AVIC, had abstained from voting on the relevant Board resolution(s) approving (i) the transactions contemplated under the Renewal Agreements and the proposed annual caps and (ii) the Proposed Revised Caps in accordance with the Company Law of the PRC and the Hong Kong Listing Rules. Save as disclosed above, none of the other Directors has or is deemed to have a material interest in the above-mentioned continuing connected transactions and the proposed revision.

For the Partly Exempt Transactions, the Directors (including the independent non-executive Directors) consider that (i) the terms of the Partly Exempt Transactions and the proposed annual caps for those transactions are fair and reasonable; and (ii) the Partly Exempt Transactions are on normal commercial terms or better, in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

For the Non-exempt Transactions, the Directors (excluding the independent non-executive Directors, who will give their opinion after considering the advice from the Independent Financial Adviser) consider that (i) the terms of the Non-exempt Transactions and the proposed annual caps for those transactions; and (ii) the Proposed Revised Caps are on normal commercial terms or better, in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

Shareholders should note that all the proposed annual caps as set out in this announcement should not be construed as an assurance or forecast by the Company of the future revenue of the Group.

VII. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all of the independent non-executive Directors has been established to advise the Independent Shareholders on (i) the terms of the Non-exempt Transactions and the proposed annual caps for such transactions for the three years ending 31 December 2029; and (ii) the Proposed Revised Caps.

Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

VIII. GENERAL INFORMATION

1. Information relating to the Company

The Company is a joint stock limited liability company incorporated in the PRC, whose H Shares are listed on the Hong Kong Stock Exchange. The Company is mainly engaged in the research, development, manufacture and sales of aviation products, and relevant engineering services.

2. Information of AVIC

AVIC is controlled by the State Council of the PRC, and is mainly engaged in the development and manufacture of aviation products and non-aviation products. AVIC is the controlling shareholder of the Company, holding directly and indirectly 59.63% equity interest in the Company as at the date of this announcement.

3. Information of AVIC Finance

AVIC Finance is a limited liability company established in the PRC and a subsidiary of AVIC as at the date of this announcement. It is licensed by the NFRA and is engaged in the provision of financial services which principally include absorption of deposits of member companies, handling loans of member companies, handling bills discounting of member companies, handling funds settlement and acceptance/payment of member companies, providing entrustment loans to member companies, underwriting of debentures, non-financing guarantee letters, financial advisory services, credit certification and advisory agency services, inter-bank lending, handling bills acceptance of member companies, handling buyer's credit and spending credit of member companies, fixed-income investments, and other businesses as may be approved by the NFRA.

So far as the Group is aware, AVIC Finance is subject to the following internal control measures, which ensure the safety of the Group's deposits with AVIC Finance:

- (a) As a licensed financial institution in the PRC, AVIC Finance is under the supervision of the PBOC and the NFRA, including the regular examination of the audited financial statements and other relevant materials required to be filed by AVIC Finance, as well as face-to-face review and interview with the senior management of AVIC Finance;
- (b) AVIC Finance has established strict internal control measures to ensure effective risk management and compliance with relevant laws and regulations, including the corporate governance structure, internal standards and policies and standard operating procedures, as well as intra-group check and balance mechanism; and
- (c) AVIC Finance will adopt the following additional internal control measures in respect of the Deposit Services provided by AVIC Finance under the Financial Services Framework Agreement: AVIC Finance shall submit to the Group with necessary information, including monthly reports, semi-annual review reports, annual reports and risk indicators, and such annual reports shall be audited by an accounting firm qualified to conduct securities and futures-related business in respect of the Group's deposits with AVIC Finance during the period of having deposits with AVIC Finance.

4. Information of Shenyang Xinghua

Shenyang Xinghua is a limited liability company established in the PRC and is a subsidiary of the Company as at the date of this announcement, which is mainly engaged in the research, manufacturing and sales of avionics, electrical connectors, micro motors, automatic protection switches and related products.

IX. EGM

The Company will convene an EGM in due course to obtain the approval of Independent Shareholders regarding, among other things, (i) the terms of the Non-exempt Transactions and the proposed annual caps for such transactions for the three years ending 31 December 2029; and (ii) the Proposed Revised Caps of the transactions under the Existing AVIC Mutual Service Supply Agreement for the year ending 31 December 2026.

AVIC and its associate(s), if any, will abstain from voting on these ordinary resolutions to be proposed at the EGM.

As more time is required to finalise the circular to the Shareholders, the Company expects to despatch to the Shareholders the circular containing, among other things:

- (a) details relating to (i) the terms of the Non-exempt Transactions and the proposed annual caps for such transactions for the three years ending 31 December 2029; and (ii) the Proposed Revised Caps of the transactions under the Existing AVIC Mutual Service Supply Agreement for the year ending 31 December 2026;
- (b) a letter of recommendation from the Independent Board Committee to the Independent Shareholders;
- (c) a letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders; and
- (d) a notice of the EGM,

on or before 26 October 2026.

X. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“associates”	has the same meaning ascribed to it under the Hong Kong Listing Rules
“AVIC”	Aviation Industry Corporation of China, Ltd.* (中國航空工業集團有限公司), the controlling shareholder of the Company holding directly and indirectly 59.63% of all issued Shares as at the date of this announcement
“AVIC Group”	AVIC and its subsidiaries (excluding the Group)
“AVIC Airborne”	AVIC Airborne Systems Co., Ltd.* (中航機載系統股份有限公司) (previously known as China Avionics Systems Co., Ltd.* (中航航空

電子系統股份有限公司)), a joint stock limited liability company whose A shares are listed on the Shanghai Stock Exchange and a connected subsidiary of the Company as at the date of this announcement

“AVIC Airborne Group”	AVIC Airborne and its subsidiaries
“AVIC Airborne Mutual Product and Service Supply Framework Agreement”	the AVIC Airborne mutual product and service supply framework agreement entered into between the Company and AVIC Airborne dated 26 August 2026, details of which are set out in the announcement made by the Company on the same day
“AVIC CAPDI”	China Aviation Planning and Design Institute (Group) Co., Ltd.* (中國航空規劃設計研究總院有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company as at the date of this announcement
“AVIC Finance”	AVIC Finance Co., Ltd.* (中航工業集團財務有限責任公司), a limited liability company established in the PRC and a subsidiary of AVIC as at the date of this announcement
“AVIC Finance Factoring Services”	the receivable factoring services provided by AVIC Finance to the Group under the Existing Financial Services Framework Agreement and to be provided under the Financial Services Framework Agreement
“AVIC Mutual Product Supply Framework Agreement”	the mutual product supply framework agreement entered into between AVIC and the Company dated 31 August 2026, details of which are set out in paragraph 2.1 under Section I of this announcement
“AVIC Mutual Service Supply Framework Agreement”	the mutual service supply framework agreement entered into between AVIC and the Company dated 31 August 2026, details of which are set out in paragraph 2.2 under Section I of this announcement
“Board”	the board of directors of the Company
“CBIRC”	the China Banking and Insurance Regulatory Commission
“Company”	AviChina Industry & Technology Company Limited* (中國航空科技工業股份有限公司), a joint stock limited liability company incorporated in the PRC, whose H shares are listed on the Hong Kong Stock Exchange
“connected person”	has the meaning ascribed thereto under the Hong Kong Listing Rules

“Contractual Price”	the price to be agreed between the relevant parties for the supply of the aviation products, raw materials and related services (as the case may be), which shall be the reasonable costs incurred in supplying the same plus not more than 8% of such costs, which is determined after taking into account the average profit margin among the related industrial enterprises, the average profit margin in the aviation industry and the profits previously received by the Group or AVIC Group for similar products, raw materials or services. The specified percentage used to determine the Contractual Price is the maximum profit margin under the relevant continuing connected transactions agreements and specific prices will be determined under separate agreements in each transaction, and the profit margin is in line with industry practice. The above Contractual Price mechanism is applicable to not only the supply of products or services by the Group, but also vice versa by AVIC Group and Shenyang Xinghua Group. Considering the above, the Directors are of the view that the Contractual Price mechanism is on normal commercial terms, fair and reasonable and in the interest of the Company and its Shareholders
“connected subsidiary(ies)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Deposit Services”	the deposit services provided by AVIC Finance to the Group under the Existing Financial Services Framework Agreement or to be provided under the Financial Services Framework Agreement
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held in due course for the purposes of considering and, if thought fit, approving, among other things, (i) the terms of the Non-exempt Transactions and the proposed annual caps for such transactions for the three years ending 31 December 2029 and (ii) the Proposed Revised Caps
“Existing Agreements”	the Existing AVIC Mutual Product Supply Agreement, the Existing AVIC Mutual Service Supply Agreement, the Existing Land Use Rights and Properties Leasing Agreement, the Existing Financial Services Framework Agreement and the Existing Shenyang Xinghua Mutual Product and Service Supply Framework Agreement
“Existing AVIC Mutual Product Supply Agreement”	the mutual product supply agreement entered into between AVIC and the Company and dated 22 August 2023, for a term of three years commencing from 1 January 2024

“Existing AVIC Mutual Service Supply Agreement”	the mutual service supply framework agreement entered into between AVIC and the Company and dated 22 August 2023, for a term of three years commencing from 1 January 2024
“Existing Financial Services Framework Agreement”	the financial services framework agreement entered into between AVIC Finance and the Company and dated 22 August 2023, for a term of three years commencing from 1 January 2024
“Existing Land Use Rights and Properties Leasing Agreement”	the land use rights and properties leasing agreement entered into between AVIC and the Company and dated 22 August 2023, for a term of three years commencing from 1 January 2024
“Existing Shenyang Xinghua Mutual Product and Service Supply Framework Agreement”	the mutual product and service supply framework agreement entered into between the Company and Shenyang Xinghua dated 22 August 2023, for a term of three years commencing from 1 January 2024
“Financial Services Framework Agreement”	the financial services framework agreement entered into between AVIC Finance and the Company dated 31 August 2026, details of which are set out in paragraph 3 under Section I of this announcement
“Government-guidance Price”	the price determined by the parties within the range as provided under the laws, regulations, decisions or orders or in respect of particular types of services promulgated by the central government, provincial government or other regulatory authorities in the PRC
“Government-prescribed Price”	the price jointly determined by the relevant price control authorities, the industry regulators in the PRC and the relevant manufacturing enterprises involved in the particular transactions, which mainly comprise the relevant costs plus profit margin. The relevant costs will be proposed by the relevant manufacturing enterprises, and confirmed by the relevant price control authorities and the industry regulators in the PRC
“Group”	the Company and its subsidiaries from time to time (for the purpose of the Shenyang Xinghua Mutual Product and Service Supply Framework Agreement, excluding the Shenyang Xinghua Group)
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely, Mr. Liu Weiwu, Mr. Mao Fugen and Mr. Lin Guiping, to advise the Independent Shareholders on (i) the terms of the Non-exempt Transactions and the proposed annual caps for such transactions for the three years ending 31 December 2029 and (ii) the Proposed Revised Caps
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), to advise the Independent Board Committee and the Independent Shareholders on (i) the terms of the Non-exempt Transactions and the proposed annual caps for such transactions for the three years ending 31 December 2029 and (ii) the Proposed Revised Caps
“Independent Shareholders”	Shareholders (other than AVIC and its associates) who are not required to abstain from voting on the resolution(s) to be proposed at the EGM to approve (i) the terms of the Non-exempt Transactions and the proposed annual caps for such transactions for the three years ending 31 December 2029 and (ii) the Proposed Revised Caps
“Independent Third Parties”	independent third parties (to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry), including the ultimate beneficial owners of such party, not connected with the Company or any of its subsidiaries or any of their respective directors, chief executive or substantial shareholders or any of their respective associates (within the meaning of the Hong Kong Listing Rules)
“Land Use Rights, Properties and Equipment Leasing Framework Agreement”	the land use rights, properties and equipment leasing framework agreement entered into between AVIC and the Company and dated 31 August 2026, details of which are set out in paragraph 2.3 under Section I of this announcement
“Loan Services”	the loan services to be provided by AVIC Finance to the Group under the Financial Services Framework Agreement
“Market Price”	the price as determined in the following sequence: (i) where there are comparable market prices or charging rates standards determined by independent third parties under normal commercial terms for the transaction, the transaction price shall be determined at such price or standard; or (ii) if there are no such comparable market prices of independent third parties, the transaction price shall be fixed by the

price of non-connected transactions between the Company and independent third parties: (a) where the Company is the buyer, through tender procedures in accordance with the relevant PRC laws and regulations relating to tender and bidding or by choosing the most favourable price among at least two to three selected suppliers after taking into account the suppliers' manufacturing qualifications and delivery time, and business relationship between the Company and suppliers according to the Company's internal procurement policy; or (b) where the Company is the supplier, agreeing with the clients within prescribed price range after taking into account the transaction volumes and business relationship between the Company and purchasers according to the Company's internal sales policy. The Market Price will be determined or approved by the authorised departments/persons of the specific entities within the Group in particular transactions

“NFRA”	National Financial Regulatory Administration * (國家金融監督管理總局), the successor of the CBIRC
“Non-exempt Transactions”	(i) the transactions contemplated under the AVIC Mutual Product Supply Framework Agreement, (ii) the transactions contemplated under the AVIC Mutual Service Supply Framework Agreement, (iii) the Deposit Services contemplated under the Financial Services Framework Agreement, (iv) the Other Financial Services under the Financial Services Framework Agreement, and (v) the Proposed Revised Caps, which are subject to reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules
“Non-financing Guarantee Letter Services”	the non-financing guarantee letter services to be provided by AVIC Finance to the Group under the Financial Services Framework Agreement
“Original Annual Caps”	the original annual caps for the year ending 31 December 2026 for the transactions under the Existing AVIC Mutual Service Supply Agreement
“Other Financial Services”	in respect of the Existing Financial Services Framework Agreement, such financial services (including but not limited to bill acceptance, and discounting services) as approved by the CBIRC (other than the Deposit Services, the Loan Services, the Settlement Services, the guarantee services and the AVIC Finance Factoring Services) provided/to be provided by AVIC Finance to the Group

	in respect of the Financial Services Framework Agreement, such financial services (including but not limited to bill acceptance and discounting services) as approved by the NFRA (other than the Deposit Services, the Loan Services, the Settlement Services, the Non-financing Guarantee Letter Services and the AVIC Finance Factoring Services) to be provided by AVIC Finance to the Group
“Partly Exempt Transactions”	(i) the transactions contemplated under the Land Use Rights, Properties and Equipment Leasing Framework Agreement, (ii) the AVIC Finance Factoring Services contemplated under the Financial Services Framework Agreement, and (iii) the transactions contemplated under the Shenyang Xinghua Mutual Product and Service Supply Framework Agreement, which are subject to reporting, announcement and annual review requirements but are exempt from circular and Independent Shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules
“PBOC”	the People’s Bank of China
“percentage ratio(s)”	has the same meaning ascribed to it under the Hong Kong Listing Rules
“PRC”	the People’s Republic of China
“Proposed Revised Cap(s)”	the proposed revised caps for the year ending 31 December 2026 for the transactions under the Existing AVIC Mutual Service Supply Agreement
“Renewal Agreements”	the AVIC Mutual Product Supply Framework Agreement, the AVIC Mutual Service Supply Framework Agreement, the Land Use Rights, Properties and Equipment Leasing Framework Agreement, the Financial Services Framework Agreement, and the Shenyang Xinghua Mutual Product and Service Supply Framework Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Settlement Services”	the settlement services to be provided by AVIC Finance to the Group under the Financial Services Framework Agreement
“Shares”	shares of RMB1.00 each in the capital of the Company
“Shareholders”	the holders of Shares
“Shenyang Xinghua”	AVIC Shenyang Xinghua Aero-Electric Appliance Co., Ltd.* (沈陽興華航空電器有限責任公司), a limited liability company established in

the PRC and a connected subsidiary of the Company as at the date of this announcement

“Shenyang Xinghua Mutual Product and Service Supply Framework Agreement”

the mutual product and service supply framework agreement entered into between the Company and Shenyang Xinghua dated 31 August 2026, details of which are set out in paragraph 4 under Section I of this announcement

“Shenyang Xinghua Group”

Shenyang Xinghua and its subsidiaries

By Order of the Board
AviChina Industry & Technology Company Limited
Wu Yun
Company Secretary

Beijing, 31 August 2026

As at the date of this announcement, the Board comprises executive Directors Mr. Yan Lingxi and Mr. Sun Jizhong, non-executive Directors Mr. Xu Dongsheng, Mr. Wang Rong, Ms. Hu Shiwei and Mr. Gao Jiming as well as independent non-executive Directors Mr. Liu Weiwu, Mr. Mao Fugen and Mr. Lin Guiping.

**For identification purpose only*